Closing down of District Co-operative and Agricultural Development Bank

†3476. SHRI DILIP SINGH JUDEV: Will the Minister of FINANCE be pleased to state:

(a) the names of District Co-operative and Agricultural Development Banks in Chhattisgarh and Madhya Pradesh which have been ordered to be closed down during the last three years;

(b) if so, the reasons therefor;

(c) number of beneficiaries, investors and employees affected thereby; and

(d) the action being taken to reopen these banks?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No Agriculture Development Bank of District Co-operative Bank (DCCB) has been closed in Madhya Pradesh in the last three years. No Agricultural Development Bank has been closed in Chhattisgarh in the last three years. However, license application of one District Co-operative Bank namely Raigarh DCCB, Chhattisgarh has been rejected by Reserve Bank of India (RBI) on 31st October 2003 and the Raigarh DCCB has been instructed not to carry on 'banking' business, under Section 22 of the Banking Regulation Act with immediate effect.

(b) The banking business which was being carried out by Raigarh DCCB was stopped mainly for the following irregularities:—

- The real and exchangeable value of paid up capital/reserves of the bank as on 31.03.2001 was negative at Rs. 39.37 crore. The bank was not complying with the provisions of Section 11(1) of the Banking Regulation Act since 31.03.1997.
- The erosion in the value of assets had not only wiped out the share capital and free reserves of the bank, but had also eroded 100% of deposits and 8.6% of the borrowings;
- Methods of operation were found to be detrimental to the interest of the depositors;
- The bank had not maintained Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR);

†Ortginal notice of the question was received in Hindi.

- The percentage of Non-performing Assets (NPAs) to total loans and advances as on 31.03.2001 was alarmingly high at 80.3%; and
- The bank was facing acute liquidity crisis as it was not in a position to honour demand drafts issued to marketing federations for supply of fertilizers to agricultural societies.

(c) The bank had a total staff strength of 115 and it was catering to the needs of 96 Primary Agriculture Societies for short term, medium term and long term loans as per the financial position of the bank as on 31.03.2001. The total loan outstanding was Rs. 78.47 crore and the deposits was Rs. 35.90 crore as on 31.03.2001.

(d) The interest of the affected borrowers are taken care of by the apex bank by way of loaning through adjoining DCCB in the area of operation under the jurisdiction of closed DCCB. As the license application has been rejected by RBI, the State Government is required to appoint a Liquidator. The question of reopening of the bank does not arise in the present shape.

Levy of Income Tax on profits of sale proceeds of DEPB

3477. SHRI SURESH BHARDWAJ: Will the Minister of FINANCE be pleased to state:

(a) whether a letter from the Ministry of Commerce was received by him wherein the issue of levy of income tax on the profits of sale proceeds of DEPB has been raised;

(b) whether the large number of small and medium exporters are affected by the issue of levying of Income Tax which is causing a serious concern to them; and

(c) if so, the steps being taken to solve the matter?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM):

(a) Yes, Sir

(b) From a number of representations received from exporters it appears that they are concerned about re-computation of the export incentives avalied of by them under the Income-tax Act